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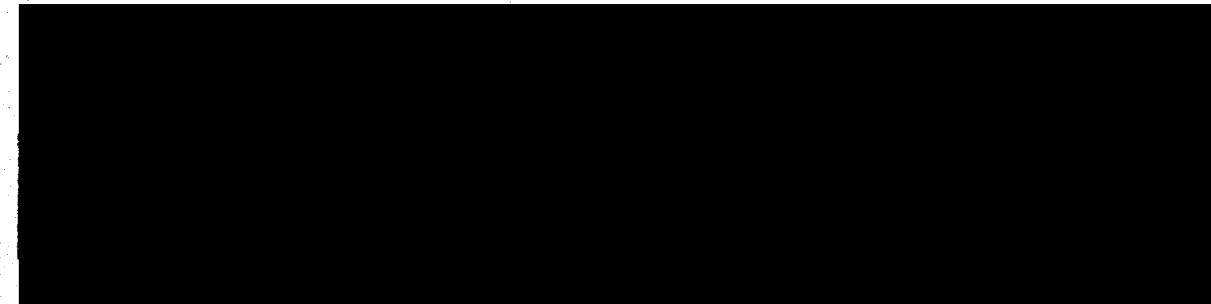
SUBJECT Soviet-Hungarian Cotton Negotiations

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1. About 30 May 1948 a Hungarian trade delegation opened negotiations in Moscow for the purchase of 20,000 tons of cotton from the Soviet Union for the period of 1 August 1948 to 1 August 1949. Members of the delegation are one Roman, Deputy Chief of the Hungarian Foreign Trade Commission, and Nagel, manager of the Textile Mills in Györ, Hungary. Roman, who reputedly has more influence now on the Hungarian Foreign Trade Commission than Zoltán Vas, President of the Supreme Economic Council, is reported to have private interests and large holdings in the Hungarian Trade Corporation in Switzerland.
2. As there seems to be a shortage of cotton in Russia, there is some doubt that the negotiations will succeed. Payments would be made officially through Hungarian-Russian clearing, and an agreement would have to be made to specify what finished cotton goods could be delivered to the Soviet Union. It is believed Russia wants colored materials for civilian clothing.
3. From 1 August 1947 to 1 August 1948, Hungary purchased 30 million kgs. of cotton, of which 17 million was to be delivered from Western countries, and the other 13 million from the Soviet Union, mostly from the Ukraine. However, the Soviet Union has still to deliver three million.
4. From Hungary's production of approximately 130 million meters of cotton goods, 70 percent was used in Hungary, 15 percent was sent to Western countries, and 15 percent went to the Soviet Union or its satellite states. Deliveries to the USSR were 20 million meters of material, mostly for bed linen, shirts, and dresses for civilian consumption. Deliveries were made to various consumer organizations in the Soviet Union.
5. An indication of cotton shortage within the USSR is seen in the slowness with which deliveries were made to Hungary, and the poor quality of the raw material. In April 1948, a German cotton mill in the Russian Zone of Germany, E. I. Clauss Nachf. Baumwollspinnerei und Zwirnerei, Landeseigener Betrieb, Plaue, Saxony, had to change from producing cotton to making rayon staple (Zellwolle). In May 1948, the former Mautner Mills in Rozemberk, Slovakia, were ordered to ship their complete stock of 300 tons of cotton to a Polish cotton mill in Lódz immediately to prevent it from closing down through lack of raw materials.

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